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SUBJECT: UKRAINE: PRESS COVERAGE OF THE GAS DISPUTE WITH RUSSIA

1. Summary: Most Ukrainian media have described Russia's intention to hike Ukraine's gas prices as politically motivated. Many press reports also highlighted the assertion from Ukrainian leaders that this is a step in Ukraine's transition from patriarchal to pragmatic relations with Russia. Depending on the political leanings of the media outlet, differing, yet oftentimes predictable, press coverage emerged on who is to blame for the crisis, what the impact will be on Ukrainian energy policy, and who will gain in the upcoming parliamentary elections as a result of the gas price increase. End summary.

#### WHO STARTED THE GAS DISPUTE - THE BLAME GAME

2. Many news outlets, including the pro-Yushchenko 5th Channel TV station and Donetsk Ukrayina, Donetsk-based oligarch Rinat Akhmetov's TV station, cited former Prime Minister Viktor Yanukovich's statement on December 19 that the Ukrainian state oil and gas company Naftohaz Ukrainy is to blame for the dispute for first proposing the price change in July 2005. These reports also quoted former Prime Minister Yuliya Tymoshenko criticizing the "intermediaries for destroying the balance of Russian-Ukrainian gas." She stated that the natural gas issue would disappear with the "elimination of corruption and shadow schemes."

3. The 5th Channel televised Naftohaz Ukrainy's rebuttal on December 21 stating that in March 2005 Russia proposed revised rates for the transport of gas across Ukraine. Naftohaz said that the opposition Party of Regions was simply twisting the facts, trying to gain political dividends in the run-up to the parliamentary elections.

4. Ukrayinska Pravda, a popular news website, on December 12 blamed previous administrations for the conflict. It stressed that the "numerous 'successful understandings' brokered by Kravchuk-Kuchma should have been substituted by alternative sources of energy and energy conserving technologies. Had this been accomplished, the issue would not have arisen in the first place."

#### MANY PRESS DESCRIBE GAS DISPUTE AS POLITICALLY MOTIVATED

5. Many Ukrainian TV reports described the proposed Russia gas price hike as politically motivated. "It is no secret that Russia uses its energy resources for ensuring political loyalty of some countries." (INTER, Podrobitsi Tyzhnya, 12/18/05) "With the gas price Russia strikes back in response for the change of foreign policy priorities [by Ukraine]." (STB, Vikna-Novyny, 12/16/05) "Member of Parliament Yuri Klyuchkovsky says Russia is using gas talks as an instrument of political pressure on Ukraine." (UT-1, Novyny, 12/19/05)

6. The "orange" print media (Ukraina Moloda, Dzerkalo Tyzhnya, Vechernie Vesti) portrayed the Russian policy as an attempt to punish Ukraine for a 2004 presidential election that contradicted Moscow's will.

#### OPPOSITION MEDIA BLAME DISPUTE ON YUSHCHENKO GOVERNMENT

7. The opposition papers (Segodnya, Kievskie Vedomosti, 2000 weekly) lamented the rise of gas prices, particularly by saying how this increase would hurt private households. They viewed the Russian position as a given, dismissed any possibility of Ukraine prevailing with its arguments, and blamed the Ukrainian government for its inability to negotiate effectively. These newspapers also claimed that the Ukrainian government provoked Russia by pursuing an anti-Russia policy. Segodnya stated on December 16, "The closer to NATO, the more expensive is the gas."

8. December 16 and 19 TRK Ukraina TV reports blamed the Yushchenko team for the crisis. The programs quoted Vyacheslav Boguslayev, General Director of Motor Sich and Party of Regions candidate; Lyubov Slivka, a Russian parliamentarian; and Adam Martynyuk, a Communist Party parliamentarian and Rada Vice Speaker, strongly criticizing Naftohaz Chairman Oleksiy Ivchenko for poor negotiations. They blamed him and the political forces behind him for the dispute.

9. Calling into question Ukraine's low gas prices, the highly-popular, opposition-leaning Inter television stated on December 19 that the "Ukrainian population pays the lowest price for gas in Europe, thirty-six U.S. dollars per thousand cubic meters.

It costs more even in Russia - forty-four dollars for the same amount of gas." The report also stated that "Kyiv had itself offered last spring to go over to market prices, but began to backpedal shortly afterwards." Russian Ambassador to Ukraine Viktor Chernomyrdin also said on the 5th Channel on December 16 that "Russians are paying more for gas than Ukrainians."

#### FROM PATRIARCHAL TO PRAGMATIC RELATIONS

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110. Many media reports (Inter, Unian, ICTV, Radio 1, Glavred, and UT-1) featured quotes from top Ukrainian leaders -- President Viktor Yushchenko, Prime Minister Yuriy Yekhanurov, and Foreign Minister Borys Tarasyuk -- stating that politics should be put aside in this discussion and a pragmatic approach should become the basis of Ukrainian-Russian economic cooperation.

111. The 1+1 television channel, Unian, and UT-1 discussed the need for Russia to uphold its bilateral agreement with Ukraine on the Black Sea Fleet deployment. Foreign Minister Tarasyuk called it "inadmissible to link a possible revision of terms of the deployment in Crimea and the gas price increase." The reports stated that Russia failed to meet its commitments under bilateral agreements by polluting the Crimean coast, using land plots improperly, and failing to return equipment. As a result and due to the movement of Kyiv and Moscow to more pragmatic relations, the Ukrainian officials argued that it was time to address these problems.

#### CRISIS TO PROMOTE GREATER ENERGY EFFICIENTCY AND INDEPENDENCE?

112. The centrist Den newspaper speculated that the gas crisis would strengthen Ukrainian independence by forcing an urgent energy-efficiency program and a departure from energy dependence on Russia. The 1+1 TV news report of December 18, however, criticized the authorities for not setting up the proposed energy saving agency earlier.

#### IMPACT OF THE PRICE INCREASE ON THE UPCOMING ELECTIONS

113. The "orange" media believed that the energy crisis would diminish the opposition Party of the Regions' popularity, since energy-inefficient industrial giants in Eastern Ukraine would be the hardest hit with the price hike. Many press reports, including the news website Glavred, speculated that the Our Ukraine Bloc would benefit from the dispute because the row overshadows reports about in-fighting and corruption within the Yushchenko team. Russia's hard-line stance may also be a unifying force for the entire Ukrainian nation. The programs argued that if used skillfully, the gas crisis could work to President Yushchenko's advantage.

114. Conversely, the "blue" opposition media predicted gains for the opposition in the run-up to the parliamentary elections because of the government's anticipated failure to resolve the crisis in a satisfactory manner.

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